

No. 9/7/DPM

Jakarta, March 30, 2007

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS

Subject : Sharia Interbank Money Market

Following the enactment of Bank Indonesia Regulation Number 9/5/PBI/2007 dated March 30, 2007 concerning Sharia Interbank Money Market (State Gazette of the Republic of Indonesia Number 53 of 2007, Supplement to the State Gazette of the Republic of Indonesia Number 4715), it is deemed necessary to draw up procedures of the implementation of Sharia Interbank Money Market as follows.

I. GENERAL PROVISIONS

1. Conventional Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business on conventional basis.
2. Sharia Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business based on sharia principles.
3. Sharia Division, hereinafter referred to as UUS, is :
 - a. a work unit in a Conventional Bank head office performing functions as principal office of sharia branch offices and/or sharia units; or

b. a work ...

- b. a work unit in a Conventional Bank branch office located overseas performing functions as principal office of sharia sub-branch offices and/or sharia units.
- 4. Sharia Interbank Money Market, hereinafter referred to as PUAS, is a short-term financial transaction among banks conducting business based on sharia principles either in Rupiah or foreign currency.
- 5. PUAS Instrument is a financial instrument based on sharia principles issued by Sharia Bank or UUS and used as a transaction means in PUAS.
- 6. Commercial Bank Daily Report, hereinafter referred to as LHBUR, is a report prepared and submitted by reporting banks to Bank Indonesia on daily basis.

II. PROCEDURES OF ISSUANCE AND TRANSACTION OF PUAS INSTRUMENT

- 1. Sharia Bank or UUS intending to issue PUAS Instrument other than that stipulated in Bank Indonesia Circular Letter shall be required to submit a letter for approval of issuance of PUAS Instrument (as example contained in Appendix to this Circular Letter) to Bank Indonesia, c.q. Directorate of Sharia Banking (DPbS) with a carbon copy to Directorate of Monetary Management (DPM).
- 2. The application letter as referred to in number 1 must be enclosed with documents as follows.
 - a. photocopy of National Sharia Council fatwa concerning the PUAS Instrument to be issued;
 - b. sharia opinion of Sharia Supervisory Board of Sharia Bank or UUS on the PUAS Instrument to be issued;
 - c. explanations on the PUAS Instrument to be issued including but not limited to characteristics, transaction scheme, accounting process,

authorized ...

- authorized parties, infrastructure, and risk analysis on the PUAS Instrument;
- d. draft or major stipulations to be included in financial agreement or contract; and
 - e. information and/or other documents considered relevant and useful to assess benefit and risk of the PUAS Instrument.
3. For Sharia Bank, the application letter as referred to in number 1 shall be signed by the board of directors.
 4. For UUS, the application letter as referred to in number 1 shall be signed by the board of directors of Conventional Bank Head Office or by the head of UUS.
 5. Sharia Bank or UUS shall be required to deliver a presentation to Bank Indonesia to obtain permit for the PUAS Instrument to be issued.
 6. Bank Indonesia shall issue a letter concerning approval or disapproval on the application as referred to in number 1.
 7. PUAS Instrument that has obtained approval from Bank Indonesia can only be issued by Sharia Bank or UUS if a Bank Indonesia Circular Letter regulating the PUAS Instrument has been enacted.
 8. By the enactment of Bank Indonesia Circular Letter regulating the PUAS Instrument, the Sharia Bank or UUS that is submitting application as referred to in number 1 and other Sharia Banks or UUSs that have not submitted application may issue and use the PUAS Instrument without any other application as far as the PUAS Instrument to be issued is not different from the PUAS Instrument as referred to in number 7.
 9. Sharia Banks, UUSs, or Conventional Banks may buy PUAS Instruments issued by Sharia Banks or UUSs.

10. Sharia Bank or UUS issuing a PUAS Instrument shall be required to give information relating to the PUAS Instrument to Sharia Banks, UUSs, or Conventional Banks intending to buy the PUAS Instrument.
11. Information relating to the PUAS Instrument as referred to in number 10 shall be stipulated further in a Bank Indonesia Circular Letter concerning the PUAS Instrument.

IV. REPORTING

Sharia Banks, UUSs, or Conventional Banks conducting PUAS transactions shall be required to report PUAS transactions to Bank Indonesia through the LHBU system in accordance with Bank Indonesia regulatory provisions concerning LHBU.

V. SANCTIONS

1. Any Sharia Bank or UUS failing to comply with provisions concerning procedures of the issuance of PUAS Instrument shall be liable to an administrative sanction as referred to in Article 52 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
2. Any Sharia Bank, UUS, or Conventional Bank conducting PUAS transactions but fails to report and/or submits PUAS transaction report incorrectly to Bank Indonesia shall be liable to a sanction referring to provisions concerning LHBU.

VI. CONCLUDING PROVISIONS

Provisions in this Circular Letter shall come into force as of March 30, 2007.

For the ...

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

EDDY SULAEMAN YUSUF

DIRECTOR OF MONETARY MANAGEMENT

DPM